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Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Joint Inspection Unit entitled "United Nations Office for Project Services: broader engagement with United Nations system organizations" (JIU/REP/98/5).

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UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS): *BROADER ENGAGEMENT WITH UNITED NATIONS SYSTEM ORGANIZATIONS*

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ACRONYMS

ACABQ	Advisory Committee on Administrative and Budgetary Questions
ACC	Administrative Committee on Coordination
AOS	Administrative Operation Services
CCAQ	Consultative Committee on Administrative Questions
CCAQ(F-B)	Consultative Committee on Administrative Questions (Financial and Budgetary)
CCPOQ	Consultative Committee on Programme and Operational Questions
DDSMS	Department for Development Support and Management Services
DESA	Department of Economic and Social Affairs
DNDR	Decade for Natural Disaster Reduction
DPA	Department of Political Affairs
DPKO	Department of Peace-Keeping Operations
ECOSOC	Economic and Social Council
FAO	Food and Agriculture Organization of the United Nations
IAPSO	Inter-Agency Procurement Services Office
IAPWG	Inter-Agency Procurement Working Group
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
ISCC	Information Systems Coordination Committee
JIU	Joint Inspection Unit
LAC	Latin America and the Caribbean
MCC	Management Coordination Committee
MSAs	Management Services Agreement
NEX	National Execution
NGOs	Non-Governmental Organizations
OCHA	Office of the Coordinator for Humanitarian Affairs
OPE	Office for Projects Execution
OPS	Office for Project Services
PAHO	Pan American Health Organization
PRODERE	Development Programme for Refugees and Displaced Persons
RESS	Rehabilitation and Social Sustainability
SLT	Strategic Leadership Team
TOKTEN	Transfer of Knowledge through Expatriate Nationals
UAG	Users Advisory Group
UNAIDS	The Joint United Nations Programme on HIV
UNCDF	United Nations Capital Development Fund
UNDCP	United Nations International Drug Control Programme
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNOHCHR	United Nations Office for the High Commissioner for Human Rights
UNOPS	United Nations Office for Project Services
UNRISD	United Nations Research Institute for Social Development
UNV	United Nations Volunteers
WAASE	Western Asia, Arab States and Europe
WHO	World Health Organization
WFP	World Food Programme

EXECUTIVE SUMMARY: OBJECTIVE, CONCLUSIONS AND RECOMMENDATIONS

OBJECTIVE: **to enhance effective cooperation between the new UNOPS and United Nations system organizations by taking advantage of divisions of labour and complementarities between them for the benefit of programme countries.**

CONCLUSIONS

A. UNOPS

1. Through reorganization and the introduction of managerial tools and instruments --- including the integrated team approach, the dedicated procurement regime, decentralization, and flexible application of resulting rules and regulations --- UNOPS has gained increased recognition for its ability to satisfy the changing demands of its clients and provide effectively the services needed for the projects it supports.

2. Following its self-financing principle, UNOPS generates sufficient income to cover all administrative expenses and maintain an operational reserve for risk management purposes.

3. Through new partnerships and different approaches and by meeting certain new demands, especially in regard to emergency situations and issues beyond the agenda of development, UNOPS has made notable progress in diversifying its client base, though the financial value of new client business does not yet constitute a major percentage of UNOPS business activity.

4. UNOPS pursues decentralization, but only when there is a critical mass of projects in a certain geographic area to ensure that the office in question will be self-financing, viable and cost-effective.

5. Problems have arisen with the advent of new decentralized offices, including meeting the skill requirements of individual jobs; ensuring appropriate interrelationships among units, especially regarding the added complexities of coordination and communication among geographical, thematic, and type-of-service units; and maintaining the appropriate control and accountability that should go with increased delegation of authority.

6. Sources of procurement and contracting for goods and services, including services of consulting firms and consultants, have been of special concern to Member States, especially those from developing countries, countries with economies in transition, and underutilized major donor countries. It is also a major recurring issue for UNOPS management.

7. The Management Coordination Committee (MCC), created as a compromise when UNOPS future was being decided, has made some positive contributions but its diminishing role raises the question whether this added layer of management is still needed. Concomitant with that is the fact that extricating UNOPS from its "parents", UNDP and the United Nations Secretariat, would give it a more independent and neutral face in the eyes of other United Nations system organizations.

8. The Users Advisory Group (UAG) has not left much of an imprint, but the basic idea behind its creation is more valid than ever, i.e. to ensure that UNOPS is fully aware of the concerns of United Nations system organizations and others who utilize its services. A more active UAG would also increase the awareness of the United Nations system organizations regarding UNOPS role and services.

B. United Nations system organizations

1. With its current status as a separate and identifiable entity, the new UNOPS relationship with UNDP has changed drastically from the time when it was a division within UNDP. In the words of one United Nations official, they are like Siamese twins depending upon each other for different kinds of services. UNDP depends on UNOPS to execute a large portion of its projects and UNOPS depends on UNDP for the major portion of its income as well as for administrative and financial services.

2 The United Nations Secretariat and entities under its purview, including DPA, UNHCR, OHCHR and others, are increasingly using the services of UNOPS. Some of the reasons given were: timely delivery, flexibility in adapting practices and procedures, no threat to the identity of partners and high quality results. However, a problem concerning modalities for transferring funds from the United Nations Secretariat to UNOPS persists in spite of recommendations in this regard by the Executive Board of UNDP/UNFPA.

3. A number of Specialized Agencies, e.g. ILO and WHO, are also using the services of UNOPS, although to a lesser extent and particularly with regard to emergency situations and/or work in war-torn societies.

4. Debate is underway, although not being actively pursued, within a number of United Nations organizations such as FAO, ILO, UNESCO and UNIDO on whether, how and to what extent to use the services of the new UNOPS.

C. Member States

1. Member States take an interest in the work and activities of UNOPS, especially at meetings of the UNDP/UNFPA Executive Board. Although there is consensus among member countries regarding UNOPS achievements, especially in financial terms, there is a need for more active involvement of Member States in the governance of UNOPS than is possible by considering UNOPS issues in the time allocated within the UNDP segment of Executive Board meetings.

2. Member countries are happy to note that UNOPS is self-financing. A number of them would like to see more attention given to the role of UNOPS in development and capacity-building.

3. A number of countries, especially developing countries, would like to see an increasing share for the developing countries in the areas of procurement of goods and services as well as consulting firms and consultants (see also Conclusion A.6 above).

D. Impact on reform

1. The favourable reaction received by UNOPS is due largely to its record for the timely delivery of services and achieving good results to the satisfaction of its clients. This has been particularly evident in its response to demands under emergency situations. One key element in its success has been its ability to adapt its practices and procedures in a business-like manner.

2. UNOPS experience in the area of procurement and its "dedicated procurement regime" could be of special value to the United Nations system. Its accomplishments in this area have been recognised as indicated by its chairing of the Working Group on Common Services for Procurement which includes representatives from the UN Secretariat and from funds and programmes. The group coordinates its activities with the Inter-Agency Procurement Working Group (IAPWG) which includes procurement officials from all UN Specialized Agencies.

RECOMMENDATIONS

A. Recommendations addressed to UNOPS

1. Taking advantage of its role as a separate, identifiable and self-financing entity and its niche as a provider of project services without substantive mandate, UNOPS should give priority to partnership with the United Nations system organizations, and should actively seek,

identify and use the expertise in these organizations (paras. 85 - 91 and 109 -116).

2. UNOPS should further intensify its efforts to diversify its sources of income and its clients (paras. 85 -91).

3. Further possible decentralization of offices should continue to pass the tests of assuring a critical mass of projects in a designated area sufficient to be self-financing. In this connection, UNOPS has to address the problems and issues raised in A.5 above, especially with regard to coordination and communication among the different decentralized offices and Headquarters (paras. 35 and 62).

4. UNOPS should continue to take advantage of the UNDP field network and avail itself primarily of the administrative and financial services rendered by UNDP, provided it is satisfied that the services it gets are cost-effective (paras. 14, 15 and 21).

5. The Executive Director should formulate a policy for a concerted and sustainable effort by UNOPS to achieve more equitable distribution among sources of procurement and contracting for goods and services, including services of consulting firms and consultants, with special attention given to sources from developing countries, countries with economies in transition and major underutilized donor countries. Over and above what is provided in its web-site, which may not be readily available, especially to a great number of developing countries, UNOPS should:

(i) issue on a periodical and timely basis a list of required equipment, goods and services;
(ii) plan customized training workshops for representatives of developing countries on procurement, and
(iii) collect and update information of available goods and equipment as well as consulting firms and consultants from developing countries

(paras. 41 - 55).

B. Recommendations addressed to United Nations organizations and agencies

1. The Secretary-General of the United Nations

(a) should consider the discontinuation of the Management Coordination Committee (MCC) which, having served its purpose in the transitional period, is now, as expressed by ACABQ, an unnecessary layer of management, especially since the Executive Director reports directly to the Executive Board which exercises oversight functions (paras. 25 - 29);

(b) should in close cooperation with UNOPS, propose and put into effect modalities for the timely transfer of funds to UNOPS, as had been recommended by the Executive Board (para. 90).

2. The Secretary-General, as Chairman of the ACC, drawing on the suggestions in Chapter III and in particular paragraphs 109 to 116, should issue a report to the 55th session of the United Nations General Assembly on specific measures for enhancing cooperation between the United Nations system organizations and UNOPS reflecting a more effective division of labour by making better use of the United Nations system organizations including their substantive and technical expertise and UNOPS as a provider of project services (paras. 109 - 116).

C. Recommendations addressed to the Executive Board

1. The Executive Board should assign a separate segment of its sessions for UNOPS in order to (a) give Member Countries more opportunity to deliberate on UNOPS activities and (b) increase its acceptability to other United Nations organizations and agencies as a partner for servicing projects by strengthening its character as a separate and identifiable entity no longer directly managed by UNDP and the United Nations Secretariat (paras. 22 - 24).

2. The interaction between UNOPS and other United Nations system organizations, which is the main raison d'être behind the creation of the UAG, should continue in a different form. The Board should discontinue the UAG and recommend to the Secretary-General, in his capacity as Chairman of ACC, to invite UNOPS to serve as a member of CCPOQ in addition to its present membership in CCAQ (FB). This will ensure interaction between UNOPS and the United Nations system organizations in a more cost-effective manner. The Executive Director of UNOPS may participate, when needed, in ACC meetings (paras. 30 - 33).

D. Recommendations on Impact and Reform

1. UNOPS should make its experience in adapting practices and procedures and in developing different approaches, procedures and methodologies for different circumstances, especially in emergency situations, more transparent and available for sharing with other United Nations organizations for possible application in their respective activities (paras. 92 - 98 and 105).

2. UNOPS should also share its experiences in the area of procurement, particularly its "dedicated procurement regime" and risk management policy, with other United Nations system organizations with a view towards contributing to more cost-effective procurement by them (paras. 41 - 55 and 74 - 75).

I. INTRODUCTION

1. The United Nations Office for Project Services (UNOPS) became operational as a self-financing, separate and identifiable entity, although not as a new agency, with effect from 1 January 1995 while remaining in partnership with the United Nations Development Programme (UNDP) and other operational entities. Administrative support for UNOPS, including that relating to financial and personnel matters, continued to be provided by UNDP Headquarters and its field network.

2. The definitive mandate of UNOPS and limitations placed on its role and scope were intended to regularize its relationship with other United Nations system organizations, including the specialized agencies, in such a way as to mitigate, at least, certain misunderstandings and mistrusts that had ensued upon the creation of the Project Execution Division within UNDP in 1973.

3. UNOPS partnerships with United Nations system organizations until recently have been very largely restricted to a limited number of "traditional partners" such as UNDP and IFAD. More recently the diversification of the UNOPS clientele has increased significantly although the new clients have been mainly from the United Nations Secretariat and entities under its purview. While some major Specialized Agencies have begun to work with UNOPS, such partnerships remain very limited and more proactive development of this clientele offers a significant opportunity for making more effective use of UNOPS in the United Nations system.

4. The main objective of this report is to enhance this relationship for the benefit of programme countries by promoting more effective cooperation and partnership between UNOPS and United Nations system organizations. The report advocates a sharper and more distinctive division of labour between UNOPS and other United Nations system organizations based on their respective comparative advantages, thus optimizing their complementarities. Within the framework of a United Nations system assisted project, UNOPS will provide services such as management expertise, procurement of equipment, and recruitment of consultants and consulting firms, and the agencies will provide expertise in their respective substantive sectors.

5. UNOPS would therefore actively seek, identify and use the expertise prevalent in the United Nations system organizations, and in particular, the specialized agencies. On their part, the United Nations system organizations, especially those who have not done so, would make more use of UNOPS for providing project services.

6. However, partnership in developmental efforts for the benefit of the programme countries should not be limited to UNOPS and the United Nations system organizations. Both should have to compete with other actors, including those outside the United Nations system, such as non-governmental organizations (NGOs) and the private sector. Such competition would encourage continuing efforts to improve the quality and cost-effectiveness of the United Nations system development activities.

7. To contribute towards this goal, the Inspectors thought it would be useful to examine and explain the new UNOPS, its evolving mandate, structure and functions and the key features that distinguish it from other United Nations system organizations. Chapter II deals with those issues. Chapter III deals with means for enhancing cooperation and complementarities through an examination of experiences gained so far in diversifying UNOPS clientele with emphasis on the diversity of approaches UNOPS adopts under different circumstances and for different subjects. The same chapter also traces the evolving relationships between UNOPS and other United Nations system organizations, which have led to a partnership in which UNOPS is a provider of project services and the United Nations system organizations are providers of expertise.

8. In the course of the preparation of this report the Inspectors met with representatives of Member States and officials from UNOPS and a number of United Nations system organizations, who provided valuable ideas, suggestions and information. The Inspectors are grateful to all of them.

II. A NEW UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

A. Background

9. The Project Execution Division (PED), the predecessor of UNOPS, was established by the United Nations Development Programme (UNDP) in 1973. It was responsible for all UNDP-executed projects including, inter alia, the following types: (i) interdisciplinary and multi-purpose projects; (ii) projects which did not fall within the competence of any individual agency; and (iii) individual projects which required general management and direction rather than expert sectoral guidance.[1] In 1975 the Project Execution Division was renamed the Office for Projects Execution (OPE), without any change in its objective and function.

10. The scope of OPE was enlarged in 1983 following Governing Council decision 83/5 which authorized UNDP to offer management and other support services to governments.

11. In 1988, the Governing Council, in decision 88/11, took note of the Administrator's decision to rename OPE as the Office for Project Services (OPS). "The rationale for this change ... was that the previous designation did not adequately reflect the distinction between the management and service-oriented nature of OPE on the one hand, and the technical emphasis of project execution by the specialized agencies on the other".[2] By that time OPE had evolved into a structure that was providing more than US$200 million worth of project services on behalf of not only UNDP but also more than 10 other partners/customers including the International Fund for Agricultural Development (IFAD), the World Bank and donor countries.

12. In 1992, the United Nations Secretary-General, in his Note A/47/753 of 3 December 1992 on Restructuring and Revitalization of the United Nations in the Economic, Social and Related Fields, proposed to merge OPS and the then recently created Department for Development Support and Management Services (DDSMS) in the United Nations Secretariat. The reasoning behind the proposal was (i) to eliminate the conflict inherent in UNDP exercising coordination responsibility in relation to the operational activities of the System while retaining, through OPS, its own implementation capacity and (ii) to eliminate the existing duplication between OPS and DDSMS in the implementation of project services.

13. Such conflicts and other issues were the subject of an earlier Joint Inspection Unit (JIU) review of OPE (JIU/REP/83/9) (see para 99).

B. Establishment of the New UNOPS

14. The Executive Board of UNDP, on 9 June 1994, adopted decision 94/12. Paragraph 5 provided that the Board:

"5. Recommends to the General Assembly that, instead of the merger proposed in Governing Council decision 93/42 of 18 June 1993, the Office for Project Services should become a separate and identifiable entity in a form that does not create a new agency and in partnership with the United Nations Development Programme and other operational entities, whose administrative support, including that relating to financial and personnel matters, will continue to be provided by UNDP and that the Office should continue to work through the UNDP field network."

15. This decision was subsequently endorsed by ECOSOC and the United Nations General Assembly, and the new UNOPS became formally operational effective 1 January 1995 by decision 94/32 of the UNDP Executive Board of 10 October 1994 which authorized the Administrator and the Executive Director to establish a self-financing, separate and identifiable entity. At the same time, it endorsed the establishment of the Management Coordination Committee (MCC) and the Users Advisory Group (UAG).

C. The Objective and Scope of the New UNOPS

16. The objective of UNOPS as enunciated in DP/1995/6 of 22 November 1994 "is to provide high-quality, timely, and cost-effective development services for the successful implementation of projects undertaken by United Nations Member States".

17. The scope of UNOPS is derived from the changing demands of its clients and from the service needs of the projects it supports.

18. UNOPS clients include:

(a) Recipient Governments, as beneficiaries of international development cooperation;

(b) Funding sources, including any United Nations fund and/or programme such as UNDP and IFAD; and, acting through an organization of the United Nations system, international financial institutions, recipient Governments, donor Governments, or non-governmental organizations (NGOs); and

(c) United Nations system organizations making use of UNOPS services in their implementation of projects, or parts of projects, for which they are responsible.

19. UNOPS services include:

"(a) Comprehensive project management, including contracting for technical expertise and backstopping;

(b) Implementation of components of projects under execution by other organizations of the United Nations system or by national institutions;

(c) Project supervision and loan administration on behalf of international financial institutions; and

(d) Management services for multilateral, bilateral and beneficiary-financed projects."[3]

20. It is important to note what UNOPS is and what it is not. It is a separate and identifiable United Nations entity but not a separate agency. It is self-financing and derives its income from services provided but is not a funding organization. It provides services and inputs to projects under the umbrella of a United Nations system organization (the project approach) but has no substantive mandate in any sector. It continues to obtain administrative and financial services mainly from UNDP. It aspires to and works towards a more effective division of labour and complementarity within the United Nations system where it would concentrate on provision of project services, including management and procurement, and where the United Nations organizations and specialized agencies would increasingly be houses of expertise in their substantive sectors.

21. Administrative services provided by UNDP continued to receive special attention by ACABQ. In its report, DP/1446/38 of 6 August 1996, on UNOPS revised budget estimates for the biennium 1996-1997, ACABQ recalled "that it had pointed out that UNOPS should receive the best value for money for the administrative services provided by UNDP .... DP/1995/45, paragraph 13)".

D. Governance and Management of UNOPS

22. UNOPS is governed by the UNDP/UNFPA Executive Board. Since 1 January 1995, the Executive Director has reported separately and directly to the Board instead of through the UNDP Administrator. The UNOPS agenda item is part of the UNDP segment.

23. Member Countries are appreciative of UNOPS application of the self-financing principle, its portfolio acquisition and rate of delivery. They continue to urge UNOPS management to further diversify their sources of income and clients. Some representatives, especially those from developing countries, countries with economies in transition and underutilized major donor countries, would like to see an increasing share for their respective countries in the areas of procurement of goods and services, and consulting firms and consultants.

24. In view of the growing portfolio of UNOPS and its activities, and bearing in mind potential diversification and the growing interest of Member Countries in UNOPS activities and approaches, the Inspectors recommend that the Executive Board considers assigning a separate segment of its sessions for UNOPS in order to give Member Countries more opportunity to deliberate on UNOPS activities. This will also increase its acceptability to other United Nations system organizations as a partner available for servicing projects by formalizing its character as a separate and identifiable entity, no longer directly managed by UNDP and the United Nations Secretariat. This also would be in line with other conclusions and recommendations arrived at by the Inspectors.

25. The Management Coordination Committee (MCC) concurrently established with UNOPS on 1 January 1995, to assist the Secretary-General in his management capacity, is chaired by the UNDP Administrator, the other two members being the Under-Secretary-General, Department of Management (DM) and the Under-Secretary-General, Department of Economic and Social Affairs (DESA). The Executive Director of UNOPS is Secretary of the MCC.

26. As described in DP/1994/61 of 19 August 1994 "the objective of the MCC is to maintain and strengthen the functioning of UNOPS as a self-financing entity working in a business-like manner". It "should provide policy and management directives in the functioning of UNOPS, including the setting of operational policy, facilities and monitoring of compliance".[4]

27. The MCC has dealt with a host of issues needing guidance and clearance before being submitted to the Executive Board. These have included business plans, procurement and contracting, information systems, risk management, relationship and agreements with United Nations entities and diversification of clienteles, and UNOPS reorganization efforts including the integrated team approach and decentralization.

28. The MCC was created at a time when UNOPS future was being decided. It was foreseen as a compromise solution for management purposes where UNDP and the United Nations Secretariat would be collectively involved in UNOPS management instead of keeping it as part of UNDP or merging it within the Secretariat. Judging from its meetings and results, MCC has to a certain extent made some positive contributions. However, it seems that its role is diminishing, which raises the question whether this added layer of management is still needed. Moreover, extricating UNOPS from its "parents", the UNDP and the United Nations Secretariat, would give it a more independent and neutral face in the eyes of other United Nations system organizations and encourage more interaction.

29. The Inspectors are reminded of ACABQ's observation on this matter:

"With regard to the functions of the MCC, the Advisory Committee notes that the functions include 'establishing a proper oversight mechanism that will enable the Secretary-General to evaluate the responsiveness, performance, and effectiveness of the new Office of Project Services' (DP/1994/61, para. 7). The Advisory Committee is of the view that the establishment of another supervisory body, such as the MCC, might create an unnecessary and perhaps cumbersome reporting mechanism that may in some instances overlap with the supervisory role of the Executive Board."[5]

30. The Users Advisory Group (UAG) was established in 1994, by decision 94/12 of the Executive Board as proposed by the Secretary-General with "the possibility of ensuring that OPS is fully aware of the concerns of United Nations Organizations and others who utilize its services and of making appropriate recommendations."

31. The Executive Director's report (DP/1994/62/Add.1) complemented the above responsibility and indicated that the UAG would provide feedback on the quality, effectiveness and responsiveness of UNOPS services and promote the dissemination of lessons learned and new approaches developed.[6]

32. The UAG is chaired by the Under-Secretary-General, DESA. Since its inception, it has met only once in 1996. In his presentation to the MCC meeting of 15 July 1996, the Chairman of the UAG reported a high level of participation (33 participants representing 26 organizations). The focus of the discussion was on the services provided by UNOPS and the need for effective inter-agency cooperation at the operational level.

33. The Inspectors believe that the rationale behind the creation of the UAG is still valid. However, judging from experience so far, new mechanisms and channels have to be investigated to have a better and more effective interaction between UNOPS and its partners. One way is to make use of the ACC and its machinery, especially since UNOPS has recently become a participant in the Consultative Committee on Administrative Questions (Financial and Budgetary), CCAQ(FB) and a member of the Information Systems Coordination Committee (ISCC). It should also participate in the Consultative Committee on Programme and Operational Questions (CCPOQ). It follows that UNOPS Executive Director may participate in the ACC meetings as needed.

E. The Evolving Structure and Functions of UNOPS

34. The UNOPS Organigram, as shown in the Annex, depicts the latest status of the different divisions, sections, and decentralized offices in UNOPS and their interrelationship.

35. While the organigram is more or less self-explanatory, a number of observations are warranted:

1. The principal elements behind the present structure and functions include:

(a) a UNOPS that draws its principles and values from the Charter of the United Nations and its operational methodologies from the world of international business;

(b) an entity which is self-financing, including divisions or outposted offices within that entity;

(c) an organization built around "full function integrated operations teams" and hence the adoption of the integrated teams approach where operations on one hand and support services on the other are brought together as

one team in the different operational divisions or outposts;

(d) a decentralized entity with delegation of authority. Decentralized offices are structured around: geographical bases, e.g., Kuala Lumpur and Abidjan; thematic bases, e.g., Rehabilitation and Social Sustainability (RESS), Geneva; and implementation modality, e.g., Procurement Projects Division, Copenhagen.

2. The present structure is built upon operational and non-operational functions:

(a) The Operations Functions are carried out by nine operational divisions and one section, five of which are geographically based (Asia Office in Kuala Lumpur; Western Asia, Arab States and Europe (WAASE), New York; Africa, New York; Abidjan Office; and Latin America and the Caribbean (LAC), New York), three of which are thematic (IFAD, Environmental Programme, and Rehabilitation and Social Sustainability - "RESS" - Divisions), and two of which are based on types of implementation modality (Procurement Projects, and Fellowships and Training Section). These divisions and outposts apply the integrated team approach and benefit from the support of the non-operations divisions.

(b) Non-operations Functions are carried out by (i) the Finance, Control and Administration Division with three service sections covering Purchasing Support, Human Resources Management, and Finance and Budget, (ii) the Policy and Contracts Division, (iii) the Planning and Public Information Division, and (iv) the Information Technology/Information Systems Division. These support divisions provide quality assurance, standard setting, risk management, "best practices" functions, information systems and office automation support to the operations divisions listed in paragraph 2(a) above. They also provide a checks and balances mechanism that is fundamental to the provision of good management.

F. UNOPS Key Features

36. The special features of UNOPS mainly stem from its mandate as a self-financing entity and its ability to adapt practices and procedures to serve its client needs. The Financial Regulations, approved by the Executive Board by Decision 95/1 of 10 January 1995, establish and/or reconfirm a number of constitutional elements of UNOPS, such as the Executive Director's accountability for UNOPS activities to the Executive Board and to the Secretary-General (Regulation 3.1); the range and principal modalities of UNOPS activities as determined by policy decisions of the Executive Board (Regulations 5.1 to 5.5); and a certain degree of flexibility authorizing the Executive Director, subject to certain conditions, to incur unforeseen personnel and related administrative expenditures against unspent and/or projected income (Regulation 7.5) and his responsibility for procurement issues (Regulation 10.5). Although Regulation 10.1 authorizes the Executive Director to establish UNOPS financial rules, UNOPS has chosen to apply UNDP financial rules mutatis mutandis pending the results of an ongoing UNDP revision of its own Financial Regulations and Rules, to which the UNOPS Financial Regulations and Rules are an annex. The key features of UNOPS are discussed below:

1. Provider of Services with no Substantive Mandate

37. One of the major features that distinguishes UNOPS is its basic role as a project services provider and general contractor through the project approach with no substantive mandate. The types of services UNOPS provides are enumerated in paragraph 18 above including comprehensive project management, procurement of goods, loan administration and management services.

(a) Comprehensive Project Management

38. UNOPS offers its clients an array of specific services which can be provided to support the client's projects. It is also capable of acting in a more comprehensive manner by providing an overall project management framework in effect serving as a general contractor or systems integrator for the client. In this capacity UNOPS not only provides specific inputs, but also manages an entire project or programme. It can coordinate various inputs provided not only by itself but also those provided by subcontractors or other United Nations organizations and agencies. When acting as overall project manager UNOPS can also supervise project staff and perform all project monitoring and reporting functions.

39. UNOPS has provided this management capacity to many complex, multi-disciplinary and multi-donor programmes around the world. Examples include projects funded by the Global Environmental Facility (e.g., the Danube River Basin rehabilitation/conservation programme, the Black Sea Management and Protection Programme, the Iwokrama Rain Forest

programme in Guyana, the Sustainable Development of the Coastal Zones of Belize) and multi-donor programmes carried out in several regions under difficult conflict or post-conflict conditions (e.g., Afghanistan, Bosnia Herzegovina, Cambodia, Guatemala, Haiti, Mozambique, Somalia, Tajikistan). In each case management approaches are adapted to local requirements.

40. The Development Programme for Refugees and Displaced Persons (PRODERE) in Central America, another multi-donor and multi-disciplinary programme (see also para. 96 below) was designed to carry out simultaneously six programme components (rebuilding of production systems, of local health and education systems, of physical and social infrastructures, and of respect for Human Rights) in areas that had been severely affected by the armed conflict in six countries of Central America (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua). Decentralized decision-making and financial management were key to rapid response to requirements. UNOPS established area management teams constituted wherever possible by local personnel, as well as by international personnel when dictated by local conditions (e.g., need for impartiality in areas of tension), or by United Nations Regulations and Rules governing delegation of financial authority. To ensure coherence, a core management team, located in San Salvador, coordinated and supervised the area based management teams. The core team, accountable for programme operations at the national/sub/regional level, provided the liaison function with national authorities, pursued support by national institutions so as to strengthen local execution capacities, and was responsible for identifying, selecting, contracting and supervising all national, regional and international technical expertise required for programme implementation. All management teams were UNOPS personnel, and financial and implementation authority was delegated to them. Implementation of PRODERE required active participation by Agencies of the United Nations system (ILO, PAHO-WHO, UNHCR), and the technical personnel mobilized by these Agencies were an integral part of the management teams.

(b) Procurement and Contracting of Goods, Works and Services

41. Contracting and goods procurement represented a large proportion of its delivery (an average of 64 per cent of total delivery in 1996/1997), and an important source of income (approximately 55 per cent of income from project implementation for 1996/1997). It therefore received particular attention during the reorganization period.

42. UNOPS established a "dedicated procurement regime" "to provide the highest degree of quality and efficiency for project execution in the United Nations ..."[7]

43. "Although UNOPS maintains some of the traditional administrative mechanisms for procurement under the United Nations financial regulations and rules, these approaches have been specifically adapted to UNOPS operating environment to increase value and responsiveness to client needs. While advantages are achieved in securing lower prices for goods, works and services, the most significant consequence is an increase in the value received for those prices."[8]

44. The procurement function is no longer limited to the specialized procurement division recently relocated from New York to Copenhagen. Through a process of decentralization, procurement has also been delegated to field personnel. In addition, Headquarters' integrated teams maintain a procurement capacity for certain standardized international project inputs or where Headquarters action is required.

45. Within the integrated team approach, Portfolio Management Officers in the operational divisions and decentralized offices have team members who are support personnel responsible for procurement, personnel, legal questions and financial administration. "This support also includes the most thorough procurement training offered in the United Nations common system"[9] which has recently been offered for staff from other United Nations organizations.

46. UNOPS procurement is based on the general principle of international competitive bidding according to detailed procedures available to all personnel through an electronic handbook. The handbook contains all policy and regulatory information, forms and model documents.

47. UNOPS also has a formal risk management policy that continually defines and reviews risks associated with its project execution activities. It relies upon a range of risk management tools including specialized procurement approaches, contract terms and conditions, insurance and funded self-insurance, as well as dispute resolution techniques.

48. For special developmental needs and in emergency situations, UNOPS has adopted different approaches to meet demands in a timely fashion. Some are discussed in Chapter III below.

49. A standing Procurement and Review Advisory Committee (PRAC) meets at least once a week to evaluate the procurement process for all proposed expenditures over US$100,000. PRAC procedures require Operations Divisions to prepare and maintain audit able records of the procurement process which are reviewed by PRAC prior to the award of such contracts. The PRAC then makes its recommendation to the Chief Procurement Officer (the Executive Director) for the award of any contract in the same week.

50. Recently UNOPS and the Inter-Agency Procurement Services Office (IAPSO), also located in Copenhagen, as is the case of UNOPS Procurement Project Division, have agreed to provide "joint procurement services" on a complementary and division of labour basis. UNOPS refers requests for standard catalogue items to IAPSO, except in cases where the quantity involved would warrant a separate tender. UNOPS delivery in equipment for 1997 was US$179 million, of which US$110 million was handled by Copenhagen while the Copenhagen Nordic funds delivery was US$3.5 million. IAPSO delivery was US$61 million. It should be noted that Copenhagen is also the seat of separate procurement facilities for UNICEF (drugs, pharmaceuticals, office equipment and vehicles) and WHO (procurement for projects in the European region). Having all these procurement facilities in one location may call for further exploration with a view to joint operations.

51. The Report of the Board of Auditors to the General Assembly on the Accounts of UNOPS for the biennium ending 31 December 1997 deals inter alia with management issues including procurement. It raises a number of questions regarding the handbook on procurement procedures, its finalization and application; ensuring the drawing up of a procurement plan for each project detailing items to be purchased and indicating a likely timetable for action as well as questions related to the recruitment and evaluation of international consultants which should be rigorously followed. UNOPS in turn had acknowledged, redressed or promised to take corrective measures.

52. Without prejudice to the technical details in the application of the financial rules and regulations, the Inspectors continue to raise the question which was brought up in a number of previous JIU reports, when dealing with activities related to emergency situations, as to whether the "rigid" financial rules and regulations should be revised to serve the beneficiaries in a timely fashion but with proper checks and balances.

53. Table 1 below shows the value of contracts for services and works signed by UNOPS with commercial firms and contractors.

Table 1: Value of services and works in per cent

	1994	1995	1996	1997
Steadily increasing for donor countries	16.7	21.5	23.8	43.4
Variably changing for UMDC	3.5	2.1	6.8	5.7
Constantly decreasing for developing countries	79.8	76.4	69.5	50.9

UMDC underutilized major donor countries

54. The sources of procurement, especially that of equipment, continue to be of major concern to Member States where the share of international procurement, especially of the developing countries (about 25 per cent in 1997), is decreasing and tilted in favour of a few developed countries (for details see Annex tables 1 and 2). UNOPS recognizes this recurrent issue to assure best value for projects and encourages Member Countries to make known their capacities and to consult the UNOPS web-site (www.unops.org) and register as suppliers.

55. However, and in view of the lack of Internet connectivity in a great number of developing countries, UNOPS is urged actively to disseminate periodically such information in non-electronic form to Member Countries. This would be in line with the United Nations General Assembly resolution A/RES/52/226 of 27 April 1998 on Procurement Reform and Outsourcing where paragraph 13 reads:

"13. Requests the Secretary General to take all possible measures to increase procurement from developing countries and countries with economies in transition ...."

(c) Loan Administration and Supervision

56. One of the major services UNOPS provides is in the area of loan administration and supervision and this is mainly to the International Fund for Agricultural Development (IFAD).

57. In the 1970s, administration and supervision of IFAD's loans (which until recently were outside of IFAD's mandate) were left to sister international financing institutions such as the World Bank and regional development banks. In the 1980s there was less co-financing and an increase in IFAD-initiated projects which were exclusively financed by IFAD. These projects, which most clearly reflect IFAD's mandate and specificity in terms of implementation strategies, target group orientation, and focus on beneficiary participation, were mostly assigned to UNOPS.

58. Out of 124 IFAD/UNOPS fully operational projects, 60 are supervised by the IFAD Division of UNOPS in New York and its outpost in Nairobi, and 64 by the UNOPS offices in Kuala Lumpur and Abidjan. In money terms they correspond to a multi-year total value of $1.6 billion out of a total UNOPS project portfolio of $3 billion.

59. Within the project cycle, UNOPS assumes its responsibilities once a loan is approved by IFAD's Executive Board and it receives from IFAD a "Letter of Appointment". The initial steps of project implementation support include the issuance by UNOPS of a "Letter to the Borrower" (LTB) and the organization of a "start-up workshop" in the recipient country (usually in the project area) in which involved government agencies, IFAD and UNOPS participate. From that point on, IFAD requests the government to deal directly with UNOPS, whose tasks include:

(i) administration of loan;
(ii) implementation and procurement support; and
(iii) supervision of project.

60. UNOPS charges a fixed amount of $44,050 per project per year which includes $9,500 for consultants and $5,000 for staff travel.

61. In 1997 and for the first time, IFAD has been authorized by its Governing Council to supervise 15 of its projects and administer the associated loans, as a pilot experiment. IFAD management subsequently decided to restrict its involvement to project supervision and to entrust UNOPS with the administration of the loans for the 15 pilot projects. This experiment should not affect the bulk of IFAD/UNOPS cooperation where UNOPS continues to both administer loans and supervise projects. It will, however, give IFAD insight into how projects are supervised and thus allow a better assessment of UNOPS role.

62. The partnership of UNOPS/IFAD in support of the programme countries has benefited from having a dedicated division for IFAD within UNOPS, New York and dedicated staff for those projects handled by UNOPS decentralized offices. Following IFAD's request, negotiations are underway with FAO (and through FAO with the Italian Government) to partially relocate the IFAD division to Rome (particularly the loan administration unit that will be providing services for the 15 projects to be directly supervised by IFAD). The proximity to IFAD will have beneficial effects. Decentralization, a policy actively supported by IFAD for more efficiency and cost saving, had also the benefit of making the operation of outposts more demand-driven and responsive to regional and sub-regional needs. However, the decentralization of IFAD's portfolio to a number of outposts, in contrast to a single dedicated division, requires added vigilance to ensure common policies in project management and implementation. Decentralization and the added channels of communication, should not be allowed to blur or undermine a common approach. What is needed is the establishment of a mechanism and adoption of a process to enable inter-outpost cross-fertilization of ideas and transfer of knowledge on best practices and lessons learnt.

(d) Management Services

63. These are regulated through a Management Services Agreement (MSA), a modality by which UNOPS acts as an agent on behalf of countries that are recipients of loans from international financial institutions such as IFAD, the World Bank and regional banks and funds, or of grants from bilateral donors.

64. In the case of projects financed by non-United Nations entities such as international financial institutions and bilateral donors, UNOPS provides the required management services to the borrower or grant recipient through a United Nations organization (to-date primarily UNDP). Sixty six countries have utilized UNOPS implementation services under MSAs worth over US$1.5 billion.

65. UNOPS management, procurement and administrative services under MSAs have assisted national governments in the timely utilization of loan funds and implementation of development activities. In 1997 these included:

contracting for services and works in Argentina ($156.4 million); expertise and training for administration reform in Bolivia ($46.9 million); public works in Ecuador ($68.5 million); procuring goods for Kyrgyzstan ($1.2 million); procuring equipment for Peru ($162.5 million); providing engineering services and building infrastructure in Sudan ($90 million); managing services for health in Turkey ($91.9 million) and management services in Uganda ($24.6 million). The sources of funds for these activities were from the World Bank; regional banks such as the Inter-American Development Bank; bilateral donors and the governments involved. The projects usually run for a number of years.[10]

2. UNOPS: A Self-Financing Entity

66. The principle of self-financing constitutes one of the main features of UNOPS that distinguishes it from other United Nations system organizations. This principle "requires UNOPS to generate enough income to cover all administrative expenses and to maintain the operational reserve at the prescribed level".[11]

67. Table 2 below shows the different types of UNOPS income and growth therein.

Table 2: Types of Income and Growth
(In millions of US$)

	1995	1996	1997
a) Income from project execution	26.6	31.7	35.0
b) Income from IFAD loan administration and supervision	3.1	3.3	3.6
c) Income from interest and others	0.7	3.3*	1.8
Total	30.4	38.3	40.4

* Includes one-time contributions from Denmark and Switzerland towards costs of office relocations.

68. The largest portion of income (86.6 per cent in 1997) has been generated by project execution. Owing to the strong increase in demand for services from UNDP in 1997, the share of income generated from UNDP funds has increased from 81 per cent in 1996 to 84 per cent in 1997.[12]

69. One of the growing sources of income for UNOPS stems from its support to projects of National Execution (NEX) where there has been a marked growth.

70. The net income for the years 1995, 1996 and 1997 is shown in table 3 below.

Table 3: Net Income
(In millions of US$)

	1995	1996	1997
Income	30.4	38.3	40.4
Expenditures	27.7	33.7	36.6
Replenishments of the operational reserve	2.7	4.6	2.4
Net income	0	0	1.4

71. Fees charged by UNOPS do not follow a standard fixed rate but vary from one client to another in accordance with agreements reached for different kinds of services rendered. UNOPS charges up to 10 per cent of Administrative Operation Services (AOS) for UNDP core funded projects. UNDP administered funds are charged in the range of 5 per cent to 8 per cent. IFAD is charged $44,050 per project per year. The Programme of Assistance to the Palestinian People (Accounting Services) was charged $100,000 for 1994-1995 and $150,000 for 1996-1997. MSA fee calculations are done on a dollar amount basis, with differentiations made between MSAs for services and those for goods. The average rate of charges for MSAs was 4.4 per cent in 1995 and 4.2 per cent in 1996.

72. The issues of cost assessment and fee-setting were the subject of examination by the Board of Auditors[13] and were also addressed by the Executive Director of UNOPS in his report to the Executive Board (DP/1998/24 of 30 March 1998).

73. It must be noted that the principle of self-financing is applicable not only to UNOPS as a whole, but also to its component parts, be they divisions in New York or decentralized offices. Before a decentralized office is established, UNOPS makes sure that there is a critical mass of projects justifying such a move to ensure that it will be self-financing. The size of UNOPS and its component parts grows or shrinks accordingly.

74. In response to, and in dialogue with, the Executive Board and the ACABQ, UNOPS

presented proposals for risk management, reserves and surplus income in 1997. This included a protection system for UNOPS and its clients with risk management mechanisms and an operational reserve. Since UNOPS is a non-profit organization the decision was to keep the reserve at a reasonable level. Paragraph 2 of Decision 97/21 of 18 September 1997 of the Executive Board reads that the Board:

"2. Decides to establish the level of the operational reserve of the United Nations Office for Project Services at 4 per cent of the combined expenditure on administrative and project budgets of the previous year, and to transfer unspent income to the reserve account until such a level is reached."

75. The risk management strategy seeks to ensure that the operational reserve serves as the mechanism of last resort. To minimize any potential drawdowns on the reserve, UNOPS Policy and Contracts Division focuses attention on potential claims resulting from contracts. It regularly refines and updates the text of basic contracting instruments used by UNOPS staff. It is involved in a range of deliberations and claims in order to ensure that the interests of UNOPS and of its clients are protected. The Division has also overseen the development of the UNOPS contracting training modules that are intended to reduce potential claims by raising the level of professionalism of UNOPS contract administrators.[14]

3. UNOPS: A Business-Like Entity

76. As mentioned earlier, UNOPS prides itself that it derives its principles from the Charter of the United Nations and its operational methodologies from the world of international business. Through the exercise of reorganization it has developed and sharpened its methodologies of planning and carrying out business. The integrated team approach, decentralization, dedicated procurement regime, financial practices and procedures, risk management, and specific training are continuously monitored and, when needed, revised accordingly.

77. One of the distinctive management practices of UNOPS was the introduction and adoption of the concept of business planning. The "business plan" provides a management tool that helps build consensus on, and a common vision of trends, priorities, opportunities and challenges before the organization. It provides a framework of accountability against which ongoing activities can be managed and overseen, and performance relative to targets can be assessed.

78. The priorities established in the 1995 plan "still reflect the key UNOPS management concerns:

- Improving the quality of services;
- Building and enhancing relationship with the client community;
- Strengthening the UNOPS organization".[15]

79. In the three business plans of 1995, 1996, and 1997, UNOPS identified a number of objectives and activities that would impact on the above-mentioned management concerns. The 1995 business plan concentrated on necessary tasks to be accomplished as a new organization. The 1996 plan, benefiting from the External Auditors' comments, shifted from an overstretched number of tasks to higher order objectives.

80. The overall financial performance in 1997, including that related to business acquisitions, delivery, income, and administrative costs, came close to the targets set in the 1997 business plan.

81. For 1997 the target for business acquisition was set at $573 million; for delivery at $500 million; for income at $40.6 million and for administrative costs at $38.5 million. Overall financial performance for business acquisition was $705 million or 23 per cent over the target; $463 million for delivery, i.e., a rate of 93 per cent; for income, $40.4 million and for administrative costs, $36.6 million.

82. In non-financial terms, the 1997 plan focuses on five work areas: cost assessment and fee setting; communications policies and strategies; team-building and coordination issues; information systems; and risk management. These issues were discussed at length in the 1997 plan and reported upon in the Executive Director's report, DP/1998/24 of 30 March 1998.

83. What distinguishes the 1997 plan from the previous two is that it is based on bottom-up projections made by each UNOPS operations unit in its own unit business plan. "This bottom-up approach has not only helped to reinforce the assimilation of business planning practices into UNOPS management culture, it has also helped increase transparency with regard to the expected business acquisition, delivery, and income of each unit's portfolio."[16]

84. "While many of the tasks and objectives have either been accomplished or have been started, it is difficult to avoid the conclusion that the right equilibrium between intended results and available resources has not yet been achieved."[17]

III. TOWARDS ENHANCED COOPERATION AND COMPLEMENTARITY BETWEEN UNOPS AND OTHER UNITED NATIONS SYSTEM ORGANIZATIONS

85. Table 3 of the Annex on UNOPS portfolio acquisitions for the years 1994-1997 demonstrates that UNOPS continues to largely depend on UNDP as the main source of funds. The percentage of UNDP's total share, core and non-core funds, is 62 per cent for 1994; 50.3 per cent for 1995; 55.7 per cent for 1996, and 71 per cent for 1997.

86. While still largely dependent on UNDP for funding, the share of the different multilateral grants and loans is fluctuating. What is of special interest here is the share of other United Nations organizations (other than UNDCP, UNFPA and IFAD which have been long standing clients) which was zero in 1994 but showed remarkable increases in 1996 to $1,332,000 and in 1997 to $11,993,000 or 0.25 per cent and 1.7 per cent of the total. The trend seems to be continuing in 1998. In his statement before the Executive Board Annual Session of June 1998 the Executive Director stated:

> "Since January of this year, total new business entering the UNOPS portfolio is some 10 per cent higher than it was in 1997 and twice as much as it was two years ago in June. This includes an increase of 40 per cent in the demand for UNOPS services from new United Nations clients as compared to the same time last year. As regards new acquisition, business from new clients in the United Nations system has actually grown from $13 million in 1996 to $50 million in 1997. Our efforts to diversify our United Nations clientele are continuing in 1998."
>
> "Non-traditional United Nations client interest in using UNOPS services has grown considerably in 1997. Expressions of interest have been received from several specialized agencies, including the International Labour Organization (ILO), the Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the World Food Programme (WFP)." DP/1998/24 of 30 March 1998.

A. Diversification of UNOPS Clientele

87. Diversification of UNOPS clientele and sources of income should ensure a more stable base for the future of UNOPS. This has been of concern to Member States who continue to pay particular attention to it and urge UNOPS management to intensify its efforts towards that end.

88. UNOPS management is aware of the importance of diversification and the difficulties inherent in it. In reporting on the implementation of the 1997 business plan, UNOPS management pointed to "hurdles" and "areas where progress was slow or where unexpected difficulties were encountered".[18] One such area was diversification.

89. As indicated above, efforts to diversify have borne some fruit. However, the greater number of concrete requests in 1997 for UNOPS services was from departments of the United Nations Secretariat and other entities under its purview.[19] These include DPA, DPKO, OCHA, IDNDR, UNAIDS, UNHCR, UNOHCHR and UNRISD.

90. One specific problem between UNOPS and the United Nations Secretariat, which was subsequently reported to the Executive Board, continues unabated in spite of discussions within and recommendations by the MCC. "The absence of standard modalities for transferring funds from the United Nations Secretariat to UNOPS for the execution of activities entrusted to UNOPS has been an obstacle to further diversification. Mechanisms that would allow for the timely transfer of funds have been proposed to the United Nations Secretariat, after review in the MCC, but progress has thus far been made only on a case-by-case basis."[20] In view of MCC recommendations on this matter, the Inspectors find it difficult to understand why the problem continues unsolved. They urge the concerned officials within the United Nations Secretariat to take the necessary steps to resolve this problem urgently.

91. In spite of these difficulties and hurdles there seems to be a trend, although not significant percentage-wise in relation to total portfolio volume of increasing partnerships between UNOPS and non-traditional United Nations clients. This trend has to be encouraged especially for enhanced partnership between the specialized agencies and UNOPS.

B. Growing Partnerships: Diversity of Approaches

92. Given the increasing number of partnerships being established between UNOPS and the United Nations system organizations, there is a corresponding growth in the range of services being requested. Among the projects most recently undertaken are those dealing with issues "beyond the agenda of development", such as human rights, demining and societies in conflict or post-conflict situations. Approaches that UNOPS adopts and/or adapts to different circumstances are briefly described.

1. Human Rights

93. The Department of Political Affairs (DPA) in the United Nations Secretariat is one of UNOPS most recent new partners in a project of US$7.28 million on human rights issues in Guatemala. In this case management, logistics and procurement services were provided by UNOPS. It contracted and assembled a 200-person-strong team in little more than a month, and set up four mobile investigation teams and offices throughout the country. Monitoring and substantive reporting of the findings of the mobile teams remained the responsibility of DPA.

2. Demining

94. An agreement with the United Nations Office of the Coordinator for Humanitarian Affairs (OCHA) for the implementation of a US$3.5 million demining project in Northern Iraq, has led to the establishment by UNOPS of a Mine Action Unit which offers technical, legal and managerial expertise required by demining programmes. In addition to management services, procurement and delivery of equipment to the field, it has provided a forum for making arrangements with donor governments who wish to contribute to demining projects through the provision of experts for whom they pay salary, travel and health insurance costs, while subsistence allowance is paid by UNOPS. This kind of arrangement has the double advantage of obtaining expertise at a much lower cost and of bringing the donor countries much closer to the projects. UNOPS has administered and implemented demining activities in Angola, Azerbaijan, Bosnia and Herzegovina, Cambodia, Chad, Croatia, Iraq, the Lao People's Democratic Republic, Mozambique, Somalia and Sri Lanka. New programmes are being planned for Iran and Kosovo. The Mine Action Unit works in close collaboration with other United Nations partners in demining, such as United Nations/DPKO, UNDP and others.

3. Governance

95. In projects of a multi-disciplinary character, UNOPS provides not only the usual administrative and management services, but acts as a coordinator of all partners involved. Partners may include central government authorities, local institutions, regional governments, NGOs, community based organizations and the private sector. This role has been demonstrated in the case of the Atlas Project for Bosnia and Herzegovina which was funded by bilateral donors through UNDP and the International Decade for Natural Disaster Reduction (IDNDR) and executed by UNOPS in partnership with WHO. Over 100 cities and regions in Italy and other European countries have been involved in forging links with 20 Bosnian municipalities to promote cooperation in the areas of local administration, education, health, environment and gender equity. A similar project is being finalized in Tunisia.

4. War-Torn Societies

96. In countries stricken by war, the importance of being able to deliver services rapidly and showing results quickly, such as by repair of roads, bridges, wells or telecommunications, is the key to the approach used by UNOPS. This builds the confidence needed by stricken populations to be able to look forward to reconstruction and local development. The PRODERE programme (Development Programme for Refugees and Displaced Persons) which started in Central America is the best example of this approach. This was later extended to Cambodia, Sudan, Afghanistan and the Great Lakes Region of Africa. Funding and partnership were from UNDP, UNDCP, development banks and bilateral donors. The Enterprise Division in ILO provided technical expertise in the area of local economic development by opening business opportunities through credit facilities. A separate War-Torn Societies Project (WSP), in cooperation with UNRISD and over 20 donors, implements such projects in Guatemala, Somalia, Eritrea and Mozambique. Much the same approach applies to areas stricken by natural disasters or severe poverty.

97. In the view of UNRISD, its efficiency and that of UNOPS is "limited due to the constraints imposed by certain United Nations rules and regulations which are largely dysfunctional to work in crisis and conflict environments. This is particularly true for rigid personnel rules. The more UNOPS can be freed from strict compliance with standard United Nations regulations ... and develop its own procedures ... [with] ... adequate provision to ensure accountability, the better and

the more efficiently it will be able to perform its functions ..." Similar views were expressed by a number of interlocutors interviewed by the Inspectors.

98. In this regard, the Inspectors continue to raise a question brought up in a number of previous JIU reports concerning activities related to emergency situations. Without prejudice to the need for proper checks and balances, the Inspectors urge serious consideration be given to revising financial rules and regulations to meet the special needs of operating in emergency situations. They also urge that attention be given to the special training required in this regard.

5. The Montreal Protocol

99. Montreal Protocol (MP) funded projects assist private enterprises in various industry sectors of developing nations to convert their operations to ozone-friendly technologies. UNOPS administers all aspects of the conversion as foreseen by the respective projects, including the international procurement of equipment, recruitment of technical expertise and subcontracting entities for the undertaking of local works. UNOPS applies implementation modalities which are tailor made to the specific project needs while remaining within the organizational legal framework and financial regulations and rules. Small and Medium-size Enterprises (SMEs) are a case in point, where modalities based on economies of scale are adopted to achieve the project targets within the given budget constraints (i.e., group procurement with maximum use of local expertise, including 80 SMEs in India and others in Mexico and Malaysia.)

6. More recent partners

100. Most recently a General Operational Agreement between UNHCR and UNOPS was signed on 11 June 1998. Its objective is to facilitate the access by UNHCR, particularly in field locations, to the services offered by UNOPS. In the past UNOPS supported operations funded by UNHCR through UNDP. It also helped elaborate technical guidelines for Reintegration (Quick Impact) Projects involving post-conflict or emergency repatriation phases.

101. The "Interim Memorandum of Understanding" between the Office of the High Commissioner for Human Rights (OHCHR) and UNOPS covers the provision of implementation services including activities and programmes at Headquarters and in the field; treaty implementation; research and analysis; special initiatives and programme support. "The corresponding activities have already been initiated and the total value of funds entrusted by UNOHCHR to UNOPS already exceeds four million dollars."[21]

102. UNOPS is the second largest user of United Nations Volunteers (UNV). In 1997 there were 281 UNVs working under UNOPS-implemented projects. In addition to these volunteers, 128 TOKTEN (Transfer of knowledge through expatriate nationals) consultancies were organized as UNOPS-executed projects, up from 102 in the previous year.

C. UNOPS and the United Nations System Organizations: An Evolving Partnership

103. In Chapter II a brief description of the historical and legislative background for the new UNOPS, together with its key features, was given. Section A above showed how UNOPS sources of funds are still broadly dependent on UNDP. Section B not only gave account of new partners but also showed in practical ways how UNOPS, in different circumstances, and especially in emergency situations, was able to adapt practices and procedures to serve its clients and beneficiaries in a timely manner.

104. However, and in spite of the above inroads in growing partnerships, the overall attitudes towards UNOPS within certain specialized agencies is not uniform. There are officials who recognize that partnership with the new UNOPS would allow them to concentrate on providing technical expertise, relieving them of managerial services handled by UNOPS. Others are still sceptical and continue to see in UNOPS a competitor and "intruder". This is partly due to historical positions inherited when the predecessor of UNOPS, i.e., the Office for Projects Execution (OPE) was created as the executing arm of UNDP. This prompted concerns and fuelled rejections by most if not all specialized agencies who saw in OPE an encroachment upon and a threat to their domains of competence and their mandates.

105. A JIU report (A/39/80 or JIU/REP/83/9), "Office of Project Execution of the United Nations Development Programme (OPE)" attempted to contribute to the resolution of issues that were adversely affecting trust between UNDP and its partners. With the benefit of this report, together with the Secretary-General's comments on it (A/39/80 Add.1) in his capacity as Chairman of the ACC and after deliberations in the UNDP Governing Council, a number of conclusions were arrived at:

(i) UNDP could continue with direct execution;

(ii) more consultation and cooperation between UNDP and the specialized agencies in the spirit of consensus should be pursued; and

(iii) proven OPE procedures in subcontracting should be further examined with a view to being used by all organizations.

106. As discussed above, the attempt to merge OPS with DDSMS ended up in the creation of UNOPS as of 1 January 1995 as a separate, identifiable, and self-financing entity with links to UNDP and the United Nations Secretariat.

107. In spite of the changes in the mandate, character and approaches of UNOPS and in spite of the increasing, though limited, partnerships between UNOPS and United Nations system organizations, mixed or opposing views continue within a number of organizations, such as FAO, ILO, UNESCO and UNIDO as to whether, how and to what extent to go into partnership with UNOPS continue. These agencies raise questions as to whether UNOPS, an entity without a substantive mandate or technical expertise of its own, should be increasingly entrusted with comprehensive project management, in contrast to partial project services, in all fields of specialization that are within the mandate of specialized agencies. They wonder whether it would not be more appropriate to entrust projects to the specialized agencies who could use the services of UNOPS. The Inspectors believe that the agencies should more actively seek to develop such relationships with the new UNOPS.

108. One of the main objectives of this report is to encourage enhanced cooperation and partnership between UNOPS and the United Nations system organizations, and particularly the specialized agencies. The next section indicates the advantages of using the services of UNOPS within the United Nations system. It will also point to certain limitations of the role and mandate of UNOPS that would keep it from assuming or encroaching upon the mandates of others. Even then, the potential, as indicated in para. 6 above, for cooperation should not be limited to the United Nations system. UNOPS on the one hand, and the United Nations organizations and agencies on the other, should compete for services and partnerships with other actors including those within the private sector. Maintaining a competitive environment would help to encourage innovation and cost-effectiveness.

D. Towards More Partnerships

109. Cooperation between UNOPS and the United Nations system organizations has been limited to a number of United Nations system organizations. The potential for enhanced cooperation lies in the recognition by both sides of the comparative advantages they each have in their respective fields of specialization.

110. UNOPS has gained the trust of its traditional partners. Non-traditional partners are on the increase, but mainly among organizations under the purview of the United Nations Secretariat. A number of specialized agencies are beginning to tap the services of UNOPS, but not in a significant proportion compared to total portfolio acquisitions of UNOPS. The further diversification of clients and a higher volume of transactions is a goal to be worked for and achieved.

111. UNOPS, on its part, should make extra effort to use the expertise prevalent in the United Nations system organizations, particularly in the Specialized Agencies. The United Nations system organizations, and in this case the specialized agencies more than others, should make more use of UNOPS as a provider of project services.

112. Organizations that have opted to use UNOPS services, especially those who have more recently entered into agreements or memoranda of understanding, cite a number of reasons for having done so:

(i) timeliness: UNOPS has been able to deliver services required in a timely fashion;

(ii) flexibility: timeliness partly results from the flexible approaches UNOPS adopts, doing away with bureaucratic procedures and simplifying application of practices and procedures that are usually the mark of other United Nations system organizations and which constitute a major target for reform processes throughout the United Nations system;

(iii) quality: while measuring quality is outside the scope of this report, the Inspectors were left with the conclusion through feedback from partners that clients are satisfied with the quality of services rendered by UNOPS;

(iv) cost-effectiveness: the timeliness and quality of UNOPS services contribute to their cost-effectiveness. UNOPS charges and fees are usually less than

those of other United Nations organizations;

(v) risk management: reduction of management and financial risks is an integral part of UNOPS services to its clients;

(vi) impartiality: since UNOPS does not have a substantive mandate and is in the business of providing services, it is not seen as a threat to the identity of its partners and their ownership of programmes and projects; and

(vii) competitive spirit: UNOPS does not take things for granted in the sense that it is entitled to its share of the cake. It has to compete for it. This is a spirit ingrained in the UNOPS staff by their observation of the principle of self-financing.

113. In the Inspectors' view, the commitment of UNOPS staff to its mission, their corporate spirit and their dedication to its success have contributed to the results achieved and the way UNOPS is perceived by its partners.

114. On their part, the United Nations system organizations are urged to follow more proactive steps towards enhanced cooperation with UNOPS. In this connection, the Inspectors would refer to the following factors that should encourage such an orientation:

(i) the new UNOPS is not the same as its predecessor, the UNDP Division of Project Execution. Its non-substantive mandate means it cannot constitute a threat to the mandates of specialized agencies;

(ii) the agencies and other United Nations organizations may benefit from certain methodologies and/or procedural innovations and approaches adopted and practised by UNOPS, such as those referred to in Chapters II and III above;

(iii) the agencies have built up, in their respective fields, a wealth of experience and expertise which could be made more effective for strengthening developmental efforts when combined with the services provided by UNOPS;

(iv) the agencies' partnerships with UNOPS would reinforce its character as a United Nations entity;

115. With an increase in its partners, the UNOPS portfolio would grow and increased income could be expected. As UNOPS income grows, economies of scale in providing UNOPS services should allow for reducing the fees UNOPS charges its partners. This would release more resources for development efforts.

116. UNOPS 1996 business plan suggests "that there is a place in the United Nations for an organization which has to earn its livelihood by showing -- day in and day out-- that it is providing something of value. UNOPS considers that it must evidence a grasp of the principles of the private sector – of demonstrating worth and value in a competitive environment – while upholding the principles on which the United Nations was established. This is a unique niche from which unique services can be rendered".

NOTES

1. "UNDP Report to the Governing Council, 16th session", E/5365/rev.1, June 1973.

2. "Report of the Administrator and the Executive Director on the scope and objectives for the United Nations Office for Project Services", DP/1995/6, of 22 November 1994, para. 8.

3. Ibid., para. 12.

4. "Report of the Administrator on the precise role and functions of the UNOPS Management Coordination Committee", DP/1994/61 of 19 August 1994, para. 3.

5. "Report of the Advisory Committee on Administrative and Budgetary Questions on the role and functions of the UNOPS Management Coordination Committee and Report of the Executive Director on ways of establishing the office as a separate and identifiable entity", DP/1994/57, para. 15.

6. "Report of the Executive Director of the Office for Project Services on ways of establishing the office as a separate and identifiable entity: UNOPS Users Advisory Group: role, composition and functions", DP/1994/62/Add.1 of 18 August 1994.

7. The UNOPS Dedicated Procurement Regime, a paper produced by UNOPS at the request of JIU.

8. Ibid.

9. Ibid.

10. Tools for Development, a UNOPS publication.

11. "Annual Report of the Executive Director on the Activities of UNOPS", DP/1998/24 of 30 March 1998, para. 11.

12. UNOPS Business Plan 1998.

13. "Report of the Board of Auditors", A/51/5/Add.10, New York, 1996.

14. Op. cit., DP/1998/24, paras. 30-33.

15. UNOPS Business Plan 1997.

16. Ibid.

17. Ibid.

18. Op. cit., DP/1998/24, para. 51.

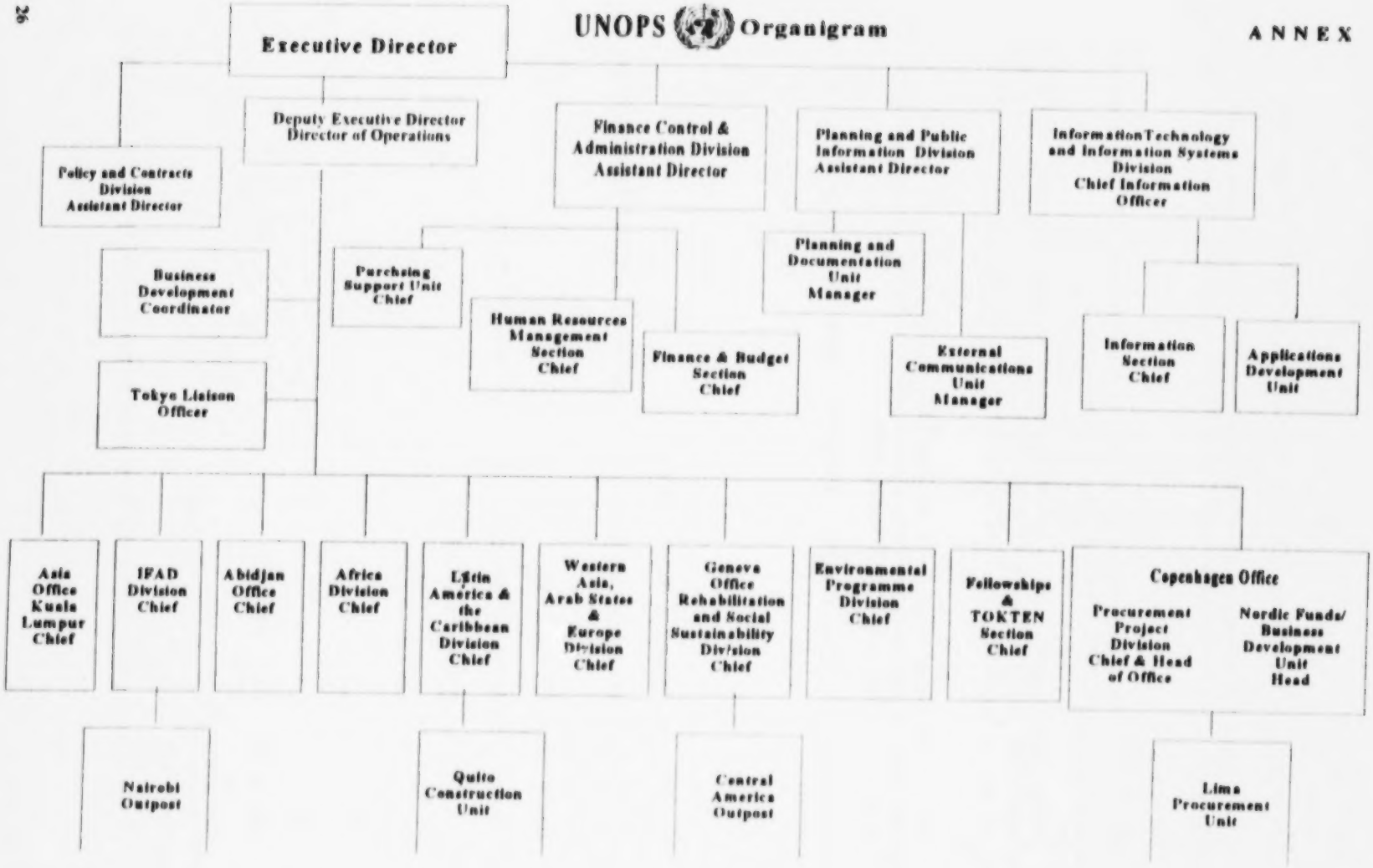
19. Ibid., para. 53.

20. Ibid., para. 53.

21. Statement of the Executive Director to the 1998 Annual Session of the Executive Board.

UNOPS Organigram

ANNEX



ANNEX

Table 1. UNOPS Project Procurement
Value of Contracts for Services & Works Signed
1994-1997

COUNTRY OF VENDOR	1994		1995		1996		1997	
	US$ 000	Per cent	US$ 000	Per cent	US$ 000	Per cent	US$ 000	Per cent
A. CONSULTING FIRMS AND CONTRACTORS	**59,468**	**100**	**63,678**	**100**	**37,432**	**100**	**72,867**	**100**
Developing countries	**47,446**	**79.8**	**48,633**	**76.4**	**25,999**	**69.5**	**37,085**	**50.9**
Donor Countries	**9,948**	**16.7**	**13,717**	**21.5**	**8,893**	**23.8**	**31,640**	**43.4**
Australia	2,484	4.2	1,718	2.7	3,022	8.1	405	0.6
Austria	0	0.0	0	0.0	43	0.1	131	0.2
Belgium	0	0.0	200	0.3	82	0.2	190	0.3
Canada	181	0.3	166	0.3	281	0.8	543	0.7
Finland	348	0.6	716	1.1	153	0.4	0	0.0
France	1,603	2.7	4,674	7.3	439	1.2	1,242	1.7
Germany	0	0.0	0	0.0	445	1.2	312	0.4
Italy	895	1.5	0	0.0	0	0.0	5,464	7.5
Japan	193	0.3	818	1.3	0	0.0	152	0.2
New Zealand	1,194	2.0	365	0.6	277	0.7	58	0.1
Spain	0	0.0	0	0.0	0	0.0	3,146	4.3
Switzerland	131	0.2	95	0.1	25	0.1	253	0.3
United Kingdom	1,224	2.1	637	1.0	1,339	3.6	2,694	3.7
United States	1,695	2.9	4,328	6.8	2,789	7.4	17,050	23.4
Underutilized Major Donor Countries:	**2,074**	**3.5**	**1,328**	**2.1**	**2,539**	**6.8**	**4,142**	**5.7**
Denmark	1,721	2.9	135	0.2	1,079	2.9	2,693	3.7
Netherlands	86	0.1	160	0.3	792	2.1	104	0.1
Norway	267	0.4	124	0.2	380	1.0	568	0.8
Sweden	0	0.0	909	1.4	289	0.8	777	1.1
B. NON-GOVERNMENTAL ORGANIZATIONS	**21,533**		**24,839**		**14,602**		**20,128**	
C. INTERNATIONAL INSTITUTIONS	**2,731**		**409**		**5,416**		**1,989**	
TOTAL	**83,732**		**88,926**		**57,449**		**94,984**	

N.B. Minor discrepancies may arise due to rounding

ANNEX

Table 2. UNOPS Project Procurement:
Goods and Equipment Ordered by Country of Vendor
1994 -1997

COUNTRY OF VENDOR	1994		1995		1996		1997	
	US$ 000	Per cent	US$ 000	Per cent	US$ 000	Per cent	US$ 000	Per cent
INTERNATIONAL PROCUREMENT	**127,028**	**100**	**116,577**	**100**	**140,478**	**100**	**154,609**	**100**
Developing Countries	**36,383**	**29.6**	**26,032**	**22.3**	**50,603**	**36.0**	**38,673**	**25.0**
Donor Countries	**76,962**	**60.6**	**78,299**	**67.2**	**77,010**	**54.8**	**102,912**	**66.6**
Australia	15	0.0	1,814	1.6	479	0.3	--	--
Belgium	1,808	1.4	363	0.3	1,146	0.9	2,684	1.7
Canada	2,603	2.0	4,741	4.1	3,209	2.3	1,507	1.0
Finland	43	0.0	162	0.1	66	0.0	--	--
France	11,970	9.4	10,913	9.4	8,171	5.8	16,137	10.4
Germany	1,162	0.9	5,732	4.9	5,366	3.8	7,199	4.7
Italy	945	0.7	5,664	4.9	7,300	5.2	8,271	5.3
Japan	12,196	9.6	6,366	5.5	9,569	6.8	10,862	7.0
Luxembourg	--	--	--	--	--	--	970	0.6
Spain	--	--	--	--	1,781	--	1,102	0.7
Switzerland	1,210	1.0	539	0.5	2,839	2.0	3,165	2.0
United Kingdom	5,735	4.5	4,630	4.0	9,784	7.0	22,724	14.7
United States	38,541	30.3	36,976	31.7	27,196	19.4	27,789	18.0
Other	734	0.6	399	0.3	104	0.1	502	0.3
Undertilized Major Donor Countries	**13,683**	**10.8**	**12,246**	**10.5**	**12,865**	**9.2**	**13,024**	**8.4**
Denmark	4,404	3.5	8,259	7.1	7,146	5.1	6,164	4.0
Netherlands	2,435	1.9	2,600	2.2	4,085	2.9	5,704	3.7
Norway	85	0.1	258	0.2	101	0.1	250	0.2
Sweden	6,759	5.3	1,129	1.0	1,533	1.1	906	0.6
LOCAL PROCUREMENT	**4,726**		**18,396**		**25,501**		**24,065**	
TOTAL	**131,754**		**134,973**		**165,979**		**178,674**	

ANNEX

Table 3. UNOPS Portfolio Acquisitions, 1994-1997

(US$ 000)

SOURCE OF FUNDS	1994		1995		1996		1997	
	No.	Value	No.	Value	No.	Value	No.	Value
UNDP Core Funds	**269**	**135,471**	**245**	**125,298**	**308**	**194,559**	**413**	**391,320**
UNDP ADMINISTERED FUNDS	**64**	**46,262**	**155**	**60,145**	**175**	**59,384**	**139**	**45,301**
Global Environment Facility - GEF	22	26,386	24	12,374	67	22,594	44	14,901
TF for the Implementation	39	19446	116	40,443	97	26,022	90	23,374
of Montreal Protocol	2	230	–	–	–	–	–	–
UNIFEM	0	0	2	580	5	1,904	1	158
UNSO	1	200	13	6,748	6	8,864	4	6,868
UNCDF								
UNDP TRUST FUNDS	**14**	**13,191**	**21**	**15,213**	**37**	**43,550**	**39**	**64,557**
Capacity 21	6	2,279	4	3,035	7	2,894	5	3,728
Demining - Cambodia	1	8,562	1	5,311	1	8,549	1	5,263
OHADA TF	0	0	0	0	0	0	1	19,747
Italy TF (Peace and Rehabilitation)	0	0	0	0	2	5,954	2	2,007
Norway TF/Africa	0	0	0	0	3	3,244	3	2,307
Carere/Sweden	0	0	2	4,085	2	2,029	3	9,226
Sweden TF	0	0	0	0	1	2,622	3	3,041
TF for Angola	0	0	0	0	0	0	2	8,601
TF for Haiti	0	0	0	0	0	0	3	4,400
Other	7	2,350	14	2,782	21	18,258	16	6,237
TOTAL UNDP	**347**	**194,924**	**421**	**200,656**	**520**	**297,493**	**591**	**501,178**
Percentage Change			**21.3%**	**2.9%**	**23.5%**	**48.3%**	**13.6%**	**68.5%**
MULTILATERAL GRANTS AND LOANS - TOTAL	**42**	**65,792**	**22**	**67,321**	**33**	**88,365**	**47**	**88,038**
UNIDCP	13	25,924	1	231	7	11,812	21	37,119
UNFPA	1	700	1	107	3	95	1	255
UN Organizations	0	0	2	222	9	1,332	13	11,993
IFAD (MSAs)	14	0	2	1,814	2	4,036	2	339
Development Banks (MSAs)	14	39,168	16	64,947	12	71,089	10	38,332
BILATERAL GRANTS (MSAs)	**19**	**53,279**	**26**	**131,137**	**26**	**148,158**	**30**	**115,767**
Donors (through UNDP)	8	7,392	10	16,301	8	6,208	8	11,262
Japan	8	40,865	10	104,539	7	82,068	9	70,579
Government	3	5,022	6	10,297	11	59,883	13	33,926
GRAND TOTAL	**408**	**313,995**	**469**	**399,114**	**579**	**534,016**	**668**	**704,983**
Percentage Change			**15.0%**	**27.1%**	**23.5%**	**33.8%**	**15.4%**	**32.0%**